

Exhibit 3

COPY

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

IN RE

TELEGLOBE COMMUNICATIONS : Chapter 11
CORPORATION, et al, : Case No. 02-11518 MFW
: Jointly Administered

TELEGLOBE COMMUNICATIONS :
CORPORATION, et al, :

Plaintiffs,

vs.

Civil Action No.
04-CV-1266 SLR

BCE, INC., MICHAEL T. BOYCHUK,
MARC A. BOUCHARD, SERGE FORTIN, :
TERENCE J. JARMAN, STEWART :
VERGE, JEAN C. MONTY, RICHARD :
J. CURRIE, THOMAS KIERANS, :
STEPHEN P. SKINNER and :
H ARNOLD STEINBERG, :

Defendants.

Deposition of CARLYN R. TAYLOR, taken
pursuant to notice in the law offices of Richards,
Layton & Finger, Conference Room 3D, One Rodney
Square, 920 North King Street, Wilmington, Delaware,
on Tuesday, May 9, 2006, at 10:01 a.m., before
Lorraine B. Marino, Registered Diplomate Reporter and
Notary Public.

ELLEN GRAUER COURT REPORTING CO. LLC
126 East 56th Street, Fifth Floor
New York, New York 10022
212-750-6434
REF: 80642

1 APPEARANCES:

2 RUSSELL C. SILBERGLIED, ESQ.
3 Richards, Layton & Finger
4 One Rodney Square
5 920 North King Street
6 Wilmington, DE 19801
7 for Plaintiffs

8 STUART J. BASKIN, ESQ.
9 BRYNNA CONNOLLY, ESQ.
10 Shearman & Sterling
11 599 Lexington Avenue
12 New York, NY 10022-6069
13 for Defendants

14 ALSO PRESENT:

15 V. V. COOKE, ESQ.
16 Teleglobe Associate General Counsel

17 - - -
18
19
20
21
22
23
24
25

INDEX

WITNESS	Page
---------	------

CARLYN R. TAYLOR	
------------------	--

By Mr. Baskin -----	5
---------------------	---

C. TAYLOR DEPOSITION EXHIBITS	Marked
-------------------------------	--------

1 Expert report of Carlyn Taylor, dated 3/8/06-----	14
--	----

2 FTI engagement letter, dated 2/6/06-----	14
--	----

3 Document entitled "Expert Document Production"-----	36
--	----

4 E-mail dated 3/14/06, from Ms. Freeman to Mr. Silberglied, with attachment-----	51
--	----

5 Teleglobe business plan, dated 5/14/02---	114
---	-----

6 Ontario Superior Court of Justice initial order, dated 5/15/02-----	116
--	-----

7 Ontario Superior Court of Justice second report of monitor, dated 6/3/02---	133
--	-----

8 Ontario Superior Court of Justice 11th report of monitor, dated 9/19/02----	147
--	-----

9 Undated Babcock affidavit-----	163
----------------------------------	-----

10 Brunette affidavit, dated 10/8/02-----	173
---	-----

11 Transcript of 6/24/02 hearing, USBC DE Case No. 02-11518-----	183
---	-----

12 Transcript of 10/9/02 hearing, USBC DE Case No. 02-11518-----	192
---	-----

13 E-mail dated 2/23/02, from Mr. Bolduc to Mr. McIntosh, et al., with attachment----	208
--	-----

14 NERA expert report, dated 4/14/06-----	213
---	-----

- - -

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

C. TAYLOR EXHIBITS CONT'D

15	Rebuttal expert report of Carlyn Taylor, dated 4/14/06-----	218
16	Schedule 14A TIH/VSNL proxy statement----	219

- - -

(Exhibit 1 retained by counsel. Exhibits 2 through 16
attached to original transcript and copies.)

- - -

1 CARLYN RENEE TAYLOR, having been first
2 duly sworn, was examined and testified as follows:

3

4 BY MR. BASKIN:

5 Q. Good morning.

6 A. Good morning.

7 Q. When did you arrive in Wilmington?

8 A. Late Sunday night.

9 Q. And did you prepare for this
10 deposition yesterday?

11 A. Yes.

12 Q. With whom did you prepare?

13 A. Mr. Silberglied and my associate,
14 Debra Wood.

15 Q. And in the course of preparing, were
16 you shown any other depositions taken in this matter?

17 A. I have been given a lot of depositions
18 in this matter.

19 Q. Good answer. You are absolutely
20 right.

21 Were you shown any depositions taken
22 in the last two weeks in this matter, any other expert
23 depositions?

24 A. I was given --

25 MR. SILBERGLIED: Objection to form.

1 TAYLOR

2 THE WITNESS: I was sent the
3 transcripts of the depositions of the two NERA
4 witnesses.

5 BY MR. BASKIN:

6 Q. And when were you sent those
7 transcripts?

8 A. Last Thursday and Friday, I think.

9 Q. And have you seen the transcript of
10 the testimony of Mr. Charnetzki?

11 A. No.

12 Q. Now, how long did you prepare for this
13 deposition yesterday?

14 A. Twelve or 14 hours, something like
15 that.

16 Q. And in the course of those 12 or 14
17 hours, did you review materials not found in
18 Appendix B to your report?

19 A. Which report?

20 Q. Your first report.

21 A. Yes.

22 Q. And did you review materials not found
23 in connection with the appendix of your rebuttal
24 report?

25 MR. SILBERGLIED: Well, objection to

1 TAYLOR

2 form. Other than those -- you are talking about in
3 neither report; correct?

4 MR. BASKIN: Sure.

5 BY MR. BASKIN:

6 Q. Did you review materials not found in
7 the appendices of either report?

8 A. In preparing yesterday?

9 Q. Yes.

10 A. The depositions that I mentioned
11 earlier of Mr. Taylor and Ms. McLaughlin.

12 Q. Did you see documents yesterday -- I
13 think you told us you saw documents not found in
14 Appendix B to your main report; correct?

15 A. Yes.

16 Q. Did you see documents not found in the
17 appendix to your rebuttal report?

18 MR. SILBERGLIED: Objection to form.

19 THE WITNESS: Well, in a strict sense,
20 yes.

21 BY MR. BASKIN:

22 Q. Okay. And to start, what documents do
23 you recall seeing not found in Appendix B to your main
24 report?

25 A. Well, we reviewed documents that were

1 TAYLOR

2 referenced in the rebuttal report. We reviewed
3 exhibits to my report. So those aren't actually
4 listed in the appendix. They are my work product.

5 We reviewed some notes that I found
6 that were produced to you. I am trying to think if
7 there was anything else. We may have reviewed other
8 things that we produced to you. And I don't know if
9 those were listed in the report, in the appendix.

10 Q. And what documents do you recall
11 reviewing that were in addition to what was in your
12 rebuttal report and not in the main report?

13 A. I am sorry. Say that again.

14 Q. What documents do you recall reviewing
15 that were in neither -- that were not in your rebuttal
16 report and were not in your main report?

17 A. Oh, that's what I just answered.
18 Like, documents that we produced to you, which aren't
19 listed as source documents, but they were in response
20 to your request for production.

21 Q. Okay. Can you describe for me what
22 some of the documents were that you remember reviewing
23 that were not found in your main report?

24 A. Sure. Documents that we produced. So
25 our engagement letter. I think some drafts that we

1 TAYLOR

2 produced. My notes. (Pause) The two depositions I
3 already mentioned, so just to be complete.

4 And did we look at anything else? I
5 can't think of anything else. If I do, I will mention
6 it.

7 Q. Okay. Have you had discussions with
8 any other experts in this matter since the preparation
9 of your report, your first report?

10 A. My first report, yes.

11 Q. With whom?

12 A. Mr. Charnetzki.

13 Q. And how many times have you had
14 discussions with Mr. Charnetzki since the preparation
15 of your first report?

16 A. Maybe once that I can recall.

17 Q. And what do you recall about that
18 discussion?

19 A. We discussed NERA's initial report.

20 Q. And what do you recall discussing with
21 him about NERA's initial report?

22 A. My thoughts upon reading it.

23 Q. And did he communicate to you his
24 thoughts as well?

25 A. Yes. It was a two-way discussion on

1 TAYLOR

2 things NERA had said in their initial report.

3 Q. And how long did that conversation
4 occur?

5 A. Twenty minutes, half hour.

6 Q. Over the telephone?

7 A. Yes.

8 Q. Anyone else present in the room on
9 your side other than you?

10 MR. SILBERGLIED: Objection to form.

11 THE WITNESS: You mean with me?

12 BY MR. BASKIN:

13 Q. With you.

14 A. I don't remember if any of my staff
15 was there or not.

16 Q. Do you recall if Mr. Charnetzki had
17 any of his staff with him on his end of the
18 conversation?

19 A. I don't know.

20 Q. Meaning you don't recall or --

21 A. I don't remember hearing anybody, so I
22 don't know.

23 Q. Now, you said this conversation lasted
24 about 20 minutes?

25 A. Maybe half hour. Don't remember.

1 TAYLOR

2 Q. And was this before you prepared your
3 rebuttal report?

4 A. Yes.

5 Q. And in that connection, were you
6 listening to what Mr. Charnetzki had to say?

7 A. Not so much, no.

8 Q. You were not listening to what
9 Mr. Charnetzki had to say?

10 A. He wasn't the one mainly speaking.

11 Q. To the extent he spoke, were you
12 listening to what he had to say?

13 A. Sure.

14 Q. And were you considering what he had
15 to say?

16 A. I don't remember what he said, so I am
17 sure I was at the time.

18 Q. And was he commenting on the NERA
19 reports to you?

20 A. In general, yes.

21 Q. Was he commenting on what you should
22 include in your rebuttal report?

23 A. At that time it wasn't even decided
24 who was going to do a rebuttal report, so no.

25 Q. And were you and he discussing that

1 TAYLOR

2 topic, who would do the rebuttal report?

3 A. Generally, that was the substance,
4 yes.

5 Q. And in that connection, the decision
6 was made on that telephone call that you would do the
7 rebuttal report rather than Mr. Charnetzki?

8 A. No. I think that was subsequently
9 requested of me by counsel.

10 Q. And what did you and Mr. Charnetzki
11 decide as to who would be preferable to do the
12 rebuttal report on that telephone call?

13 A. We didn't decide that. We were just
14 discussing.

15 Q. Now, who approached you about becoming
16 an expert witness in this case?

17 A. Mr. Silberglied.

18 Q. And was that on or around February 6,
19 2006?

20 A. No. It was before that.

21 Q. How much before that?

22 A. I remember he called and said he
23 wanted to retain us on February 1.

24 Q. And in that connection did he explain
25 what topics he wanted to retain you about?

1 TAYLOR

2 A. Very generally, yes.

3 Q. What did he say to you?

4 A. He wanted to retain someone who had
5 expertise in restructuring in telecom who can give
6 opinions about restructuring.

7 Q. And did he tell you time was of the
8 essence at that point in time?

9 A. I think I asked him what the deadline
10 was, and he told me.

11 Q. And you understood that you had
12 approximately a month to write your main report?

13 A. At that time, yes.

14 Q. And did you consider time to be of the
15 essence at that point in time?

16 MR. SILBERGLIED: Objection to form.

17 THE WITNESS: When you say "of the
18 essence," most engagements of ours tend to be not
19 longer than you need.

20 BY MR. BASKIN:

21 Q. So when you undertook -- I take it on
22 February 6 you actually executed the engagement letter
23 and so did Mr. Silberglied; is that correct?

24 A. I would have to look at it. I don't
25 remember.

1 TAYLOR

2 MR. BASKIN: I will just give you a
3 copy of your engagement letter. Before we do that,
4 why don't we mark as Exhibit 1 your expert report, the
5 first expert report.

6 (C. Taylor Deposition Exhibit No. 1
7 was marked for identification.)

8 MR. BASKIN: And let's mark as Exhibit
9 2 your engagement letter.

10 (C. Taylor Deposition Exhibit No. 2
11 was marked for identification.)

12 BY MR. BASKIN:

13 Q. Let me hand you Exhibit 2 and just ask
14 you whether that is a copy of the signed and executed
15 engagement letter in connection with this matter.

16 A. It appears to be, yes.

17 Q. And would I be correct that you went
18 about preparing your report between March 6, 2006 --
19 strike that.

20 Am I right that you went about
21 preparing your report between February 6, 2006 and
22 March 8, 2006?

23 A. Actually, I think we may have started
24 a couple days before this.

25 Q. Now, how many were on your team that

1 TAYLOR

2 you had working with you preparing your report?

3 A. One senior person and two junior
4 people.

5 Q. And the senior person is the woman who
6 you mentioned is in the law firm today?

7 A. Yes.

8 Q. And what is her name?

9 A. Debra Wood.

10 Q. And working with her were two junior
11 people; is that correct?

12 A. Working with me.

13 Q. And what are their names?

14 A. Dennis Sharp and Robert Young.

15 Q. And did you allocate assignments
16 between those three individuals working with you?

17 A. Debra and I did, yes.

18 Q. And what was the allocation of
19 assignments?

20 A. Well, Mr. Young pretty much -- the
21 only thing he did was maybe prepare a few charts and
22 prepare -- he had the lovely task of preparing this
23 lengthy list in Exhibit B.

24 Mr. Sharp prepared many of the charts
25 that are in the exhibits and did some research. And

1 TAYLOR

2 Debbie and I did everything else.

3 Q. And do you consider Exhibit 1 to be
4 your own work product?

5 A. Absolutely, yes.

6 Q. When it came time to writing
7 Exhibit 1, did you take pen to paper?

8 A. I sit at the computer.

9 Q. And did you actually type portions of
10 Exhibit 1?

11 A. I typed the vast majority of it
12 myself.

13 Q. And when you start -- in connection
14 with preparing Exhibit 1, how many drafts did you go
15 through?

16 A. Depends what you call a draft, because
17 it is just one document on the computer. So I just
18 keep working on it.

19 Q. And to the extent that -- I am sorry.
20 What was the other woman's name who worked with you on
21 it?

22 A. Debbie Wood.

23 Q. Debbie Wood? How was she working on
24 the document?

25 A. Not very much actually. She was

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

TAYLOR

tasked primarily with a lot of the more complicated financial analyses to support what I was doing.

Q. And in connection with preparing the document, who was reading the exhibits found on Appendix B?

A. Both she -- wait. The exhibits? She and I both.

Q. And did you read all the exhibits found on Appendix B?

A. All of them?

MR. SILBERGLIED: Objection to form.

THE WITNESS: No.

BY MR. BASKIN:

Q. Did you read most of them?

A. I don't know. I read a lot of them.

Q. Did you read any of the depositions found on Appendix B?

A. I read all of the depositions we were provided except one.

Q. Which one did you not read?

A. I ran out of time, didn't read Mr. Childers in full.

Q. But all other depositions you read in full?

1 TAYLOR

2 A. I did. The ones that we were
3 provided.

4 Q. Now, insofar as you and Ms. Wood were
5 jointly working on the preparation of the report, did
6 you communicate to her your opinions and conclusions
7 to be included in the report?

8 MR. SILBERGLIED: Objection to form.

9 THE WITNESS: Not in the way you are
10 suggesting. I was writing them into the report.

11 BY MR. BASKIN:

12 Q. You were writing them, your opinions
13 and conclusions, yourself in the report?

14 A. Yes.

15 Q. And when you commenced preparing the
16 report, had you already determined what your
17 conclusions and opinicns would be?

18 A. Not all of them, no.

19 Q. Which ones do you recall not having
20 reached a conclusion about or not having reached an
21 opinion about when you started preparing your report?

22 A. When we started? We were still doing
23 a lot of the financial analyses that eventually led to
24 opinions in the report. So I would have to review
25 them.

1 TAYLOR

2 Q. Well, for example, when you started to
3 prepare the report, had you already determined that if
4 FTI had been hired four years earlier in lieu of
5 Lazard, you would have preferred a standalone
6 reorganization instead of a sale?

7 A. Say that. If when when?

8 Q. At the time you commenced writing your
9 report, had you already determined that had FTI been
10 hired four years earlier rather than Lazard, that you
11 would have proceeded with a standalone reorganization?

12 A. That was reached in the course of the
13 work. I don't remember exactly when relative to when
14 I started outlining the report.

15 Q. When you started to prepare the
16 report, had you already concluded that Lazard's work
17 product overestimated the cash burn and came to
18 erroneous conclusions?

19 A. I am not sure I would accept the
20 characterization of, but we had concluded -- I had
21 definitely concluded that there were issues with the
22 CAPEX based upon my very initial review of documents.

23 Q. And this was before you actually
24 started to prepare the report?

25 A. Yes.

1 TAYLOR

2 Q. And by the time you started to prepare
3 the report, had you already concluded that the parties
4 to the bankruptcy had not given proper consideration
5 to a voice-only standalone reorganization?

6 MR. SILBERGLIED: Objection to form.

7 THE WITNESS: Well, again, I would
8 have to look at how I phrased our -- my opinions in
9 there on that, but I had not completed all my review
10 of the documents.

11 BY MR. BASKIN:

12 Q. And how far into the preparation of
13 your report did you come to that conclusion?

14 MR. SILBERGLIED: Same objection.

15 THE WITNESS: I came to the various
16 opinions that I documented in the beginning or in my
17 report throughout the course of reviewing documents
18 and things in the case.

19 BY MR. BASKIN:

20 Q. But do you remember when you came to
21 the conclusion that the parties had not given proper
22 consideration to a voice-only standalone
23 reorganization?

24 MR. SILBERGLIED: Same objection.

25 THE WITNESS: I don't remember exactly

1 TAYLOR

2 when we came to the conclusion that is listed in our
3 report. I was reviewing documents. It was a fairly
4 short period of weeks.

5 BY MR. BASKIN:

6 Q. And had you already concluded by the
7 time you began to prepare your report that the May 14
8 plan offered a viable and reasonable standalone
9 restructuring plan?

10 A. No.

11 Q. When did you come to that conclusion?

12 A. Well, first of all, we had to find
13 that document, and then we did some analysis of it.
14 And based on the analysis, I reached the opinions that
15 are written in my report.

16 Q. And when was that analysis undertaken,
17 as you recall?

18 A. The last couple of weeks of February.

19 Q. And by the time you began preparing
20 your report, had you already concluded that the sale
21 to Cerberus constituted a fire sale?

22 A. No.

23 Q. When did you come to that conclusion?

24 A. Based upon reviewing the documents in
25 the course of my work.

1 TAYLOR

2 Q. And when relevant to the start of
3 writing the report do you recall coming to that
4 conclusion?

5 A. I don't recall.

6 Q. Now, as you drafted the report, did
7 you circulate drafts to members of your team?

8 A. No. Only -- when I needed Debbie to
9 put in some facts or certain things, she could access
10 the document when I wasn't working on it.

11 Q. So she could access the document
12 directly; correct?

13 A. Yes, on the server.

14 Q. Now, did there come a time when you
15 did print out versions of your document?

16 A. There might have been.

17 Q. When do you remember printing out
18 versions of the draft?

19 A. I remember printing out a couple of
20 pages and showing Dennis what I needed graphs done.

21 Q. And this is in connection with your
22 team; correct?

23 A. Yes.

24 Q. And as Ms. Wood or as -- excuse me
25 again. What was -- Dennis Sharp, is that his name?

1 TAYLOR

2 A. Sharp.

3 Q. As Mr. Sharp made changes or comments
4 to your draft, did you consider those changes or
5 comments?

6 MR. SILBERGLIED: Objection to form.

7 THE WITNESS: I mean, Mr. Sharp didn't
8 make any changes or comments.

9 Ms. Wood would go in sometimes at my
10 request and put information into the report in
11 sections that I had said go put the factual things in
12 the documents and map them to exhibits. So she would
13 put those directly into the report when I wasn't
14 working on it.

15 And then I would go back and still be
16 drafting.

17 BY MR. BASKIN:

18 Q. And did you consider her comments or
19 changes as she made them?

20 A. When you say "consider," she was
21 putting factual things in.

22 Q. Did you consider --

23 A. So she is working with me at my
24 direction.

25 Q. Now, in connection with Mr. Sharp, I

1 TAYLOR

2 think you said he was preparing certain of the
3 financial statements contained in your report?

4 A. I wouldn't call them financial
5 statements. Exhibits.

6 Q. He was preparing the exhibits attached
7 to the report; is that correct?

8 A. Some of them.

9 Q. And as he was preparing the exhibits,
10 were you commenting on what he was doing?

11 A. Yes.

12 Q. I take it you were considering what he
13 was doing; is that correct?

14 A. I was reviewing what he was doing.

15 Q. Now, have you had discussions outside
16 of your team concerning the preparation of your
17 report?

18 A. Yes.

19 Q. And with whom have you had discussions
20 outside your team concerning the preparation of your
21 report?

22 A. Mr. Silberglied.

23 Q. And anyone else?

24 A. Yes.

25 Q. With who else?

1 TAYLOR

2 A. Mr. Charnetzki and a couple of people
3 associated with Teleglobe today.

4 Q. Now, let's start with Mr. Charnetzki.
5 On how many occasions do you recall discussing with
6 Mr. Charnetzki the preparation of your report?

7 A. When?

8 Q. Prior to its completion.

9 A. Maybe --

10 MR. SILBERGLIED: Excuse me. Exhibit
11 1?

12 MR. BASKIN: Yes, Exhibit 1.

13 THE WITNESS: Okay. Two or three
14 times.

15 BY MR. BASKIN:

16 Q. And in that connection did he have
17 access to your server?

18 A. No.

19 Q. Did you provide him with copies of
20 your report prior to its completion?

21 A. He saw one, yes.

22 Q. And he saw that copy in and around
23 early March 2006?

24 A. Yes.

25 Q. On March 1, 2006? Is that when he saw

1 TAYLOR

2 it?

3 A. I don't recall the exact date.

4 Q. And was that in a meeting in these law
5 offices?

6 A. Yes.

7 Q. And I take it in addition to
8 Mr. Charnetzki, you were present as well?

9 A. Yes.

10 Q. Were other members of your staff
11 present?

12 A. No.

13 Q. Were there any other people present
14 other than you and Mr. Charnetzki?

15 A. Yes.

16 Q. Who else was present for that meeting?

17 A. Mr. Silberglied, I think Mr. Varallo
18 for a while, some people from CompassRose, and a
19 couple of people from Teleglobe. That's all I recall.

20 Q. Who from the plaintiff was physically
21 present during this meeting in early March 2006?

22 A. I don't really know everybody, but
23 Andre Mongrain, and I am going to say his name wrong.
24 He was present (indicating).

25 Q. You are pointing to one of the

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

TAYLOR

gentlemen in attendance at the deposition today?

A. That's correct.

Q. And do you want to state your name for the record, sir?

MR. COOKE: Sure. V. V. Cooke.

THE WITNESS: Sorry.

BY MR. BASKIN:

Q. Who else was present for the meeting in these law offices prior to the completion of your report?

A. That's who I remember.

Q. Now, in the course of that meeting -- how long did that meeting take?

A. I don't know. Four or five hours.

Q. And all the attendees whom you mentioned in your answer a second ago were in the same conference room at the same time?

A. For parts of it, yes.

Q. And in the course of that meeting you circulated the then current draft of your report?

A. I had copies, yes.

Q. And did you --

A. I am not sure who brought them. I brought them, yes.

1 TAYLOR

2 Q. Well, you circulated them to everyone
3 at the meeting; correct?

4 A. I don't know if everybody at the
5 meeting looked at them.

6 Q. You circulated the reports broadly to
7 people in the meeting?

8 A. There was a stack.

9 Q. And did Mr. Charnetzki circulate his
10 report in the course of the same meeting?

11 A. Yes.

12 (Discussion off the record.)

13 BY MR. BASKIN:

14 Q. And who was in attendance at the
15 meeting on behalf of CompassRose?

16 A. A man and a woman, but I really don't
17 know who they were.

18 Q. And did they circulate their draft
19 report to the attendees at the meeting?

20 A. Yes.

21 Q. Now, were each attendee at the meeting
22 making comments -- strike that.

23 Were the attendees at the meeting
24 making comments about the various drafts of the
25 experts present at the time?

1 TAYLOR

2 A. Some of the attendees were.

3 Q. And, for example, to take your draft
4 in particular, who do you remember making comments
5 about your draft?

6 A. Mr. Silberglied and Mr. Varallo.

7 Q. And what about Mr. Charnetzki?

8 A. I don't recall him giving me any
9 comments. He was sitting right next to me. If he
10 gave me one or two, I don't recall.

11 Q. So you recall Mr. Silberglied and
12 Mr. Varallo giving you comments at the time; correct?

13 A. Yes.

14 Q. And were you writing down their
15 comments?

16 A. Yes.

17 Q. And were you considering them?

18 A. Sure.

19 Q. Now, who else do you recall giving you
20 comments at the time of this meeting?

21 A. I think that was it. None of the
22 comments were very substantive. Commas, things like
23 that.

24 Q. Basically, your recollection is that
25 Mr. Silberglied and Mr. Varallo were giving you

1 TAYLOR

2 comments about comas and things of that nature?

3 A. There were some spellings, words
4 missing, stuff like that. There was nothing
5 substantive in my report.

6 Q. And in connection with the other
7 reports that were being circulated at the time, were
8 you giving your comments regarding Mr. Charnetzki's
9 report?

10 MR. SILBERGLIED: Objection to form.

11 THE WITNESS: Yes.

12 BY MR. BASKIN:

13 Q. And were other people giving comments
14 about Mr. Charnetzki's report?

15 A. Possibly. I wasn't involved in that.

16 Q. You were not present when other people
17 were giving comments or you were present?

18 A. I was, but there was different people
19 reading and conversations.

20 Q. And in connection with
21 Mr. Charnetzki's report, did you mark up his report or
22 did you deliver your comments orally to him?

23 A. He was sitting next to me, so I think
24 I just told him a couple of things.

25 Q. And was that also of the nature of

1 TAYLOR

2 comas and missing words and the like?

3 A. No.

4 Q. You gave him substantive comments?

5 A. Not comments so much as I gave him a
6 list of companies and transactions for him to think
7 about including.

8 Q. And that's what you recall saying to
9 him?

10 A. Yes.

11 Q. And in the course of having your
12 report available at the meeting, did people mark up
13 your report?

14 A. I think Mr. Silberglie might have.

15 Q. And you considered his comments, did
16 you not?

17 A. I went through, yes, but they weren't
18 substantive. They were little wording things and
19 things like that.

20 Q. And am I right that late last week you
21 produced a draft of your prior report?

22 A. Of which? Of Exhibit 1?

23 Q. Yes.

24 A. Yes.

25 Q. Did that come from your files?

1 TAYLOR

2 A. It came from my personal, yes.

3 Q. And did you get a phone call last week
4 to produce that draft?

5 A. No.

6 Q. How did you come to decide to produce
7 that draft?

8 A. Oh, well, I got a phone call after. I
9 told Mr. Silberglie that I had found a draft that had
10 not been located by my assistant and Ms. Wood when
11 they had looked for everything.

12 Q. And when did you tell Mr. Silberglie
13 that?

14 A. I think right before I sent it to him.

15 Q. So what day last week was that?

16 A. I think Wednesday or Thursday of last
17 week.

18 Q. And you happened to come upon the
19 draft on Wednesday or Thursday of last week?

20 A. That's correct.

21 Q. And where was the draft that you
22 happened to come upon on Wednesday or Thursday of last
23 week?

24 A. On my computer.

25 Q. And is that the only draft contained

1 TAYLOR

2 on your computer?

3 A. That's correct.

4 Q. And what caused you to look for drafts
5 on your computer Wednesday or Thursday of last week?

6 A. I was looking for something in the
7 preparation of my preparing for this deposition, and I
8 happened to see that, and I didn't know there was one,
9 so I produced it.

10 Q. Was it communicated to you last week
11 that Mr. Charnetzki's deposition was taken on
12 Wednesday of last week?

13 A. Probably. I don't know.

14 Q. You don't recall being told that
15 Mr. Charnetzki's deposition was taken last week?

16 A. I know it was taken last week. I
17 don't know if it was Wednesday.

18 Q. And do you recall being told that
19 Mr. Charnetzki could not produce any drafts during the
20 course of his deposition?

21 MR. SILBERGLIED: Objection to form.

22 THE WITNESS: No, I don't.

23 BY MR. BASKIN:

24 Q. Do you recall being told that
25 Mr. Charnetzki testified that he had destroyed all his

1 TAYLOR

2 drafts of his exhibit -- of his report?

3 MR. SILBERGLIED: Objection.

4 THE WITNESS: I am not aware of what
5 you are talking about.

6 BY MR. BASKIN:

7 Q. Meaning you were not told last week
8 that Mr. Charnetzki had testified that he had
9 destroyed all drafts of his report?

10 MR. SILBERGLIED: Same objection.

11 THE WITNESS: Testified that he
12 destroyed drafts? I am not aware of what
13 Mr. Charnetzki testified.

14 BY MR. BASKIN:

15 Q. Now, how come this draft was found on
16 your server? This was in your server, I take it?

17 A. No. This was in my laptop

18 Q. And how come that draft was located on
19 your laptop?

20 A. I am not sure. Normally I am only
21 working on the server. I think I may have been
22 traveling or something and put it on my laptop.

23 Q. And is this the only draft contained
24 in your files of your report?

25 A. I think we produced another draft of

1 TAYLOR

2 the rebuttal report.

3 Q. And when did you find that?

4 A. I think that was produced in the
5 regular production. I think Ms. Wood had that.

6 Q. That was not produced last week?

7 A. I don't know when it was produced.
8 When we produced everything else is my understanding,
9 but that's all I know.

10 Q. Now, in the course of the meeting in
11 these law offices in and around March of 2006, was a
12 discussion had as to what people should do with their
13 drafts, drafts of their reports?

14 A. No.

15 Q. You recall no such discussion?

16 A. No.

17 Q. Do you ever recall having a discussion
18 with anyone in connection with this matter as to what
19 you should do with the drafts of your reports?

20 A. No.

21 Q. Assuming the judge --

22 A. Only that when the thing came out that
23 we should produce drafts, when the request for
24 production. That's the discussion I recall.

25 MR. BASKIN: Let's mark as Taylor 3

1 TAYLOR

2 this document.

3 (C. Taylor Deposition Exhibit No. 3
4 was marked for identification.)

5 BY MR. BASKIN:

6 Q. Can you identify this document,
7 Taylor 3?

8 A. Only that it looks like something
9 similar to what we were sent in terms of what we
10 should be producing for this case.

11 Q. This is not a document that -- the
12 typed, underlined sections of this document, of Taylor
13 3, I take it you do not recognize; correct?

14 A. Only that it matches up with
15 information that I told Ms. Wood. At least the one
16 under No. 3.

17 Q. Now, the documents referenced next to
18 numbers on Taylor 3, do you recall receiving a
19 document similar to this one that contained similar
20 instructions to you regarding expert document
21 production?

22 MR. SILBERGLIED: I am sorry. Could I
23 have that read back? I think I missed something.

24 (The court reporter read back as
25 requested.)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

TAYLOR

MR. SILBERGLIED: Objection to form.

THE WITNESS: I have seen a list like
this.

1 TAYLOR

2 BY MR. BASKIN:

3 Q. And how did you come to see that list?

4 A. I think from Ms. Wood.

5 Q. And when did Ms. Wood provide you with
6 such a list?

7 A. I don't know. A few weeks back.

8 Q. And I think you told us a few seconds
9 ago that you had a discussion regarding that?

10 A. With Ms. Wood, yes.

11 Q. And what was your discussion with
12 Ms. Wood?

13 A. That she and my assistant were going
14 to compile all these documents and turn them over.

15 Q. And did you understand from the
16 instructions -- strike that.

17 I take it it was your understanding at
18 the time that these instructions came from counsel?

19 A. That was my understanding, yes.

20 Q. And did you understand that the
21 instructions from counsel included that you were
22 supposed to produce drafts of all reports?

23 A. Yes.

24 Q. And when did you learn that you were
25 supposed to produce drafts of all reports?

1 TAYLOR

2 A. At the time that I discussed this with
3 Ms. Wood.

4 Q. That's the first time you were told
5 that?

6 A. Yes.

7 Q. Now, the pieces of paper, the reports,
8 draft reports that were circulating around the meeting
9 in this law firm in and around March 2006, what
10 happened to those documents; do you know?

11 A. I don't know.

12 Q. Did you do something with those
13 documents?

14 A. No.

15 Q. Did you collect them?

16 A. No.

17 Q. Did you ask somebody else to collect
18 them?

19 A. No.

20 Q. Have you ever seen those documents
21 since they were circulated in this law firm on and
22 around March 1, 2006?

23 A. I took the documents with me that I
24 had, but that's it.

25 Q. The copies of your draft report you

1 TAYLOR

2 did not take with you or you did?

3 A. I don't recall. I mean, I only have
4 room for so much in my luggage, so I don't recall
5 taking. I took one.

6 Q. You took one copy of the document that
7 was circulated; is that correct?

8 A. Well, which document are you talking
9 about?

10 Q. The document circulated on March -- on
11 and around March 1, 2006 in this law firm.

12 MR. SILBERGLIED: Objection to form.

13 THE WITNESS: Yes. Which one? I took
14 my document.

15 BY MR. BASKIN:

16 Q. You took your draft report at that
17 time?

18 A. I took my own copy of it; correct.

19 Q. And is that the same document that was
20 found on your laptop computer towards the end of last
21 week?

22 A. No.

23 Q. That is a different version of the
24 report?

25 A. Correct.

1 TAYLOR

2 Q. And where is that version?

3 A. Where is what version?

4 Q. The version of your report that you
5 had circulated in the meeting in and around March 1,
6 2006.

7 A. I had a hard copy with me. I made the
8 changes in the report, and I don't keep that.

9 Q. And how did you not keep it? Did you
10 throw it away, ripped it up, shredded it? What did
11 you do?

12 A. I didn't do anything like that. I
13 just don't keep that. Throw it in the trash.

14 Q. Now, the documents that were
15 circulating in this law firm on and around March 1,
16 2006, as you sit here now, you have no idea what
17 happened to those documents?

18 A. Which documents.

19 Q. Your report?

20 A. My report? No, I don't know.

21 Q. Now, in the course of the five or six-
22 hour meeting that occurred in and around March 1,
23 2006 -- does that sound about the right date to you?

24 MR. SILBERGLIED: Objection to form.

25 THE WITNESS: March 1? I guess that's

1 TAYLOR

2 about right.

3 BY MR. BASKIN:

4 Q. Now, the meeting in this law firm that
5 occurred on and around March 1, 2006, you told us it
6 lasted about five or six hours?

7 MR. SILBERGLIED: Objection to form.

8 THE WITNESS: I think I said four or
9 five, but I don't really remember. It is a little
10 more than half a day.

11 BY MR. BASKIN:

12 Q. Now, other than having people comment
13 on typos and the like in your report, what else
14 happened during the course of that meeting?

15 A. Mostly I spent the meeting reading
16 Mr. Charnetzki's report. It was very lengthy. It
17 took several hours. So there was a lot of just people
18 sitting around reading for hours.

19 Q. So for the bulk of the four or five
20 hours you simply read Mr. Charnetzki's draft report?

21 A. And Ms. Roseman's, yes.

22 Q. And was that the purpose of coming to
23 Delaware, so you could sit in the conference room and
24 read Mr. Charnetzki's report?

25 A. That's what I understood.

1 TAYLOR

2 Q. And --

3 A. Have any discussion.

4 Q. Sorry?

5 A. Yes.

6 Q. And he did not send you, I take it, a
7 copy of his report in Denver for you to read; correct?

8 A. No.

9 Q. Now, after you read Mr. Charnetzki's
10 report on and around March 1, 2006, what did you do
11 with it?

12 A. I don't remember if I took it with me,
13 what I did with it. I think I just took the cover
14 page with me. That was it.

15 Q. Now, to the extent you took some of
16 Mr. Charnetzki's report with you on and around
17 March 1, 2006, what happened to that document?

18 A. I don't think -- I think I only took
19 one page, because I wanted a particular phraseology of
20 the opening paragraph. That's all I took.

21 Q. Did Mr. Charnetzki collect the
22 document that he had distributed to you on and around
23 March 1, 2006?

24 A. I don't know.

25 Q. Now, which paragraph?

1 TAYLOR

2 A. It was the very first paragraph.

3 Q. The one "I have been retained as an
4 expert"?

5 A. Yes. The phraseology of the, you
6 know, the debtor and the committee and so forth. That
7 was it. I just wanted to make sure mine matched.

8 Q. So that was the only portion of
9 Mr. Charnetzki's document you took with you?

10 A. That's correct.

11 Q. Now, let's discuss then -- so
12 basically during the course of the four or five hours
13 in this law firm, you were mostly reading
14 Mr. Charnetzki's document in draft?

15 A. Most of that time I was, and then I
16 was reading Ms. Roseman's.

17 Q. And I think you said the nature of
18 your comments were in the nature of typos?

19 A. No, I didn't say that.

20 Q. What was the nature of your comments
21 to that?

22 A. To who?

23 MR. SILBERGLIED: Objection; asked and
24 answered.

25

1 TAYLOR

2 BY MR. BASKIN:

3 Q. To Mr. Charnetzki first.

4 A. Okay. To Mr. Charnetzki, I discussed
5 with him various companies and what they did and gave
6 him a list of transactions and companies.

7 Q. And what do you recall doing in
8 connection with Ms. Roseman's document?

9 A. In connection with Ms. Roseman's
10 document, the main discussion I had with someone I
11 believed to be Ms. Roseman, but it turned out to be an
12 assistant -- I didn't know that at the time -- was
13 that she had a discussion about bankruptcy and
14 restructuring, and I said, you know, "That's kind of
15 overlapping with what I am doing, and I am not sure
16 that you want to be talking about that."

17 Q. And what was the reaction of this
18 person who you thought was Ms. Roseman?

19 A. They said they would consider it.

20 Q. And what did you do with the Roseman
21 document that was provided to you during the course of
22 this meeting?

23 A. I don't remember.

24 Q. Did the CompassRose people collect
25 those documents?

1 TAYLOR

2 A. Possibly, but I don't know.

3 Q. Was there an understanding of
4 participants in the meeting that all drafts prepared
5 during the course of the meeting were going to be
6 destroyed?

7 A. Destroyed? There was no discussion
8 about anything being destroyed.

9 Q. Was there a discussion during the
10 course of the meeting that all drafts were going to be
11 collected?

12 A. Not that I recall.

13 Q. Was there a discussion at the meeting
14 that people should not leave the meeting with their
15 own copies of the various reports?

16 A. Not that I recall, but I had no
17 intention of taking large bits of paper I had already
18 read.

19 Q. But you do not recall any discussion
20 about whether people should leave the room with copies
21 of these various reports?

22 A. Not with me.

23 Q. Now -- strike "now."

24 If you look at Exhibit 2 before you,
25 if you turn to the second page, you will see there is

1 TAYLOR

2 a reference under paragraph 3 to privileged and
3 confidential work product. Do you see that?

4 A. Okay.

5 Q. And it reads, "Written reports,
6 memoranda or status summaries that we prepare under
7 this Engagement Contract will be maintained in
8 accordance with our retention procedures and shall be
9 prominently labeled 'Privileged and Confidential.'"
10 Do you see that?

11 A. Yes.

12 Q. Was that, in fact, the practice you
13 followed in this matter?

14 A. Yes.

15 Q. What are FTI's retention procedures by
16 which they maintain written reports, memoranda or
17 status summaries?

18 A. For risk management purposes, we are
19 to maintain all final issued reports and all
20 supporting documents to support the work and opinions
21 in those reports.

22 Q. So is it the practice of your company
23 that all drafts other than final reports are
24 destroyed?

25 MR. SILBERGLIED: Objection to form.

1 TAYLOR

2 THE WITNESS: Well, you are using the
3 word "destroyed." That's not -- it creates confusion
4 to be retaining tons of things. You are to retain for
5 risk management purposes the final version of work
6 product and supporting documents to support the
7 opinions in the final version of work product.

8 BY MR. BASKIN:

9 Q. And anything other than that, other
10 than final versions, are discarded; is that correct?

11 A. Of work product. If they are -- you
12 are not supposed to be keeping -- I mean, you are
13 supposed to keep organized files. I don't want -- you
14 know, I don't want my staff keeping tons of mess all
15 around with all sorts -- you get confused as to what
16 is the one that got changed or what is the corrected
17 one or whatever. So we are to keep neat, neat,
18 organized work files.

19 Q. And is it the practice or -- strike
20 that.

21 Is it the retention procedures of FTI
22 that all draft reports are destroyed or discarded?

23 MR. SILBERGLIED: Objection to form.

24 THE WITNESS: It is just what I said.
25 It has nothing to do with being destroyed. It is you

1 TAYLOR

2 keep the final work products in an organized manner.
3 You don't keep, you know, every little thing that you
4 have in the course of working on something. It just
5 creates mass confusion.

6 BY MR. BASKIN:

7 Q. So what about prior drafts? What do
8 you do with prior drafts?

9 A. That depends on what it is.

10 Q. Well, prior drafts of reports. What
11 are the retention policies of FTI in connection with
12 prior drafts of reports?

13 A. It depends on what it is. If you have
14 a draft that was actually sort of issued to a client
15 as something that might be deemed by them as final, I
16 would keep that. If it is an iterative process to get
17 to a final signed opinion, then you keep only the
18 final, with all of the support to it.

19 Q. Now, did you have discussion with
20 anybody representing the plaintiffs this document
21 retention policy/procedures of FTI?

22 A. No, other than Ms. Wood may have
23 discussed it with Russ when we got this request.

24 Q. Did she tell you she discussed it with
25 Mr. Silberglie?

1 TAYLOR

2 A. She told me she discussed the entire
3 list of things.

4 Q. And --

5 A. I was aware at that time we were
6 looking for drafts. That's what I am saying.

7 Q. You were aware that Ms. Wood was
8 physically looking for drafts at the time?

9 A. Correct; once we got the request.

10 Q. And she reported to you that she could
11 not find any, I take it?

12 A. No. She produced -- she produced a
13 draft.

14 Q. Okay. The draft of the rebuttal
15 report?

16 A. That's correct.

17 Q. Was she able to find any drafts of
18 your first -- of your primary report?

19 MR. SILBERGLIED: Objection to form.

20 THE WITNESS: She wasn't. I
21 subsequently found one.

22 BY MR. BASKIN:

23 Q. That is the one you found at the end
24 of last week; correct?

25 A. Sometime last week, yes.

1 TAYLOR

2 Q. Now, you have testified on many
3 occasions in the past; is that not true?

4 A. Depends what you call "many." A
5 couple dozen.

6 Q. And is it your customary practice when
7 you testify to attend meetings with other expert
8 witnesses and discuss each other's reports?

9 A. It depends on the case.

10 Q. Have you done that in the past?

11 A. Yes.

12 Q. And have you sat in a room for five or
13 six hours with the other experts and gone over draft
14 reports? Is that a customary practice for you?

15 A. I don't remember. I don't do the
16 litigation for a living most of the time, so -- I
17 don't recall.

18 MR. BASKIN: Now, let's hand you what
19 we will mark as Exhibit 4.

20 (C. Taylor Deposition Exhibit No. 4
21 was marked for identification.)

22 BY MR. BASKIN:

23 Q. I take it it is the custom of FTI to
24 maintain time detail records similar to that contained
25 on Exhibit 4?

1 TAYLOR

2 A. Actually, it is not.

3 Q. Have you seen Exhibit 4 prior to
4 today?

5 A. Well, that's my signature on page 3,
6 so I must have, but I don't recall it.

7 Q. Did you see Exhibit 4 yesterday as
8 part of your preparation for this deposition?

9 A. No.

10 Q. Now, is it not your custom to maintain
11 time details as contained on Exhibit 4?

12 A. Not necessarily, unless the client
13 requests it.

14 Q. But I take it your system contains the
15 ability to generate this document?

16 A. Well, our time system allows you to
17 key in descriptions, but it doesn't require you to put
18 in descriptions.

19 Q. And does your time system -- I take it
20 that you in this engagement and in most engagements
21 you bill out your time by the hour. Is that correct?

22 A. It depends on the engagement. In this
23 engagement we are billing our time by the hour.

24 Q. Now, let me ask you, if you could turn
25 to document Bates-stamped 102973.

1 TAYLOR

2 A. Okay.

3 Q. Those contain your personal time
4 charges in this matter from the inception until
5 February 28, 2006; is that correct?

6 A. It looks like it.

7 Q. Now, let me ask you about some of the
8 items found on this. On and around February 6, 2006,
9 that is the day you signed the engagement letter we
10 saw; is that correct?

11 A. Yes.

12 Q. Now, on that day you had an
13 introductory call with Russ and Deb and reviewed
14 documents. Do you see that?

15 A. Yes.

16 Q. And that lasted three and a half
17 hours; is that correct?

18 MR. SILBERGLIED: Objection to form.

19 THE WITNESS: Well, what lasted three
20 and a half hours? Everything I did that day lasted
21 three and a half hours.

22 BY MR. BASKIN:

23 Q. How long did that telephone call last;
24 do you recall?

25 A. The first call? Maybe 45 minutes. I

1 TAYLOR

2 was getting on a plane.

3 Q. And then the remainder of that time
4 you spent reviewing documents?

5 A. I was reading documents on the flight.

6 Q. Now, then on February 9 apparently you
7 had a call with Russ and then calls with Huron and
8 Russ. Do you see that?

9 A. Yes.

10 Q. And is that the first time you
11 remember speaking to Huron in connection with this
12 matter?

13 A. I think so.

14 Q. And by Huron, is that Mr. Charnetzki?

15 A. Well, I don't recall if it was him or
16 his assistant, or his senior person working with him.

17 Q. Now, it speaks in terms of plural,
18 calls with Huron and Russ. Do you recall having more
19 than one telephone call with Huron in the course of
20 February 9, 2006?

21 A. No. My assistant just takes this
22 stuff off my calendar, so this is her characterization
23 of what she sees on my calendar. The multiple calls
24 probably were with Deb.

25 Q. What do you recall speaking with Huron

1 TAYLOR

2 on or around February 9, 2006?

3 A. Trying to get documents.

4 Q. And what type of documents were you
5 trying to get at that point?

6 A. We were just trying to get an
7 understanding of the case and what documents were
8 available. And my understanding is there are several
9 million documents produced in this case, and it was a
10 little bit like, okay, we only have three or four
11 weeks, you know. How do we find the needles in the
12 haystack? You guys have all these documents. You
13 have been working on this for months. You know, these
14 are the categories of things that we need. Can you
15 kind of help us?

16 That's why I think it might have been
17 just Dana, but I don't recall.

18 Q. And did Huron make the selection of
19 documents that would satisfy your various categories?

20 A. No.

21 Q. What do you mean by "categories"?
22 What sort of documents were you asking of Huron?

23 A. We were trying to find business plans
24 that had been done in the period when the
25 restructuring was undertaken. That's what we were

Exhibit 4



**Teleglobe Communications Corporation, et al. v. BCE Inc.,
et al.**

Expert Report of Paul F. Charnetzki

March 8, 2006



Table of contents

I. Executive Summary	4
A. Teleglobe Inc. and the majority of the plaintiffs were insolvent no later than December 31, 2000.	4
B. Discontinuing additional investment in GlobeSystem and other capital projects at June 30, 2001, after insolvency, would have preserved value in Teleglobe.	5
C. Alternatively, had BCE made the \$850 million of additional funding available to Teleglobe, as authorized by its board and accepted by the board of Teleglobe on November 28, 2001, value in Teleglobe would have been preserved.	6
II. Introduction	7
III. Qualifications	7
IV. Compensation	8
V. Background	8
A. Industry	8
B. Teleglobe	22
1. Chronology	29
VI. Summary of Opinions	43
VII. Insolvency	44
A. Teleglobe Inc. and the majority of the plaintiffs were insolvent no later than December 31, 2000.	44
1. <i>The most appropriate entity at which to test solvency is Teleglobe Inc. on a consolidated basis.</i>	45
2. <i>Cash flow test.</i>	45
3. <i>Balance sheet test.</i>	47
4. <i>Valuation at December 31, 2000.</i>	52
5. <i>Z-Score</i>	55
6. <i>Thin capital test</i>	56
B. I have also performed solvency tests at the entity level for the plaintiffs.	56
1. <i>Consolidated THUSC</i>	57
2. <i>THUSC (stand alone)</i>	59
3. <i>TUSA</i>	59
4. <i>Optel</i>	60
5. <i>TCC, TIC, and THC</i>	60
6. <i>Remaining entities</i>	61
C. Teleglobe was unable to access capital without explicit support from BCE.	62
D. Other indications of insolvency	64
1. <i>BCE did not write down Teleglobe's goodwill when it became aware of the impairment.</i>	64
2. <i>Kroll found Teleglobe to be insolvent at January 31, 2001 and March 31, 2001.</i>	73
3. <i>Several internal and external valuations calculated negative equity value for Teleglobe in the fall of 2001</i>	74
VIII. Damages	75



A.	Prior to June 30, 2001, BCE had many opportunities to preserve the value of Teleglobe, but did not do so.	78
B.	Discontinuing additional investment in GlobeSystem and other capital projects at June 30, 2001, after insolvency, would have preserved value in Teleglobe	87
1.	<i>Estimate future cash flows for the five-year projection period</i>	89
2.	<i>Discount cash flows to present value</i>	95
3.	<i>Residual value of cash flows</i>	98
4.	<i>Combine the present value of the residual cash flows with the discrete projection cash flows</i>	99
5.	<i>Add the value of GlobeSystem assets to obtain the combined value of the legacy business with GlobeSystem assets</i>	100
6.	<i>Market approach</i>	101
C.	Alternatively, had BCE made the \$850 million of additional funding available to Teleglobe, as authorized by its board and accepted by the board of Teleglobe on November 28, 2001, value in Teleglobe would have been preserved	105
1.	<i>April 2002 voice only business plan</i>	106
2.	<i>May 2002 capital constrained voice and data business plan</i>	108
D.	To calculate damages, I have subtracted actual recoveries by the Estate on comparable assets from the valuations.	111
1.	<i>Estate receipts of \$207.6 million</i>	111
2.	<i>Allocation, if deemed necessary, to the U.S. Debtor Estate</i>	112
IX.	Conclusion	114



I. Executive Summary

My name is Paul Charnetzki. I have been retained by counsel for Teleglobe Communications Corporation, et al. ("U.S. Debtor Estate") and the Official Committee of Unsecured Creditors of Teleglobe Communications Corporation ("creditors") to analyze the solvency issues and quantify the damages related to the matter of Teleglobe Communications Corporation, et al. v. BCE Inc., et al. Appendix I contains a summary of damages due to the U.S. Debtor Estate. My findings and opinions are summarized below.

A. Teleglobe Inc. and the majority of the plaintiffs were insolvent no later than December 31, 2000.

I have concluded that even with the initial \$1 billion commitment from BCE Inc. ("BCE") set forth in the June 29, 2000 letter to Bank of Montreal ("BMO"), Teleglobe Inc. ("Teleglobe") was insolvent no later than December 31, 2000 and remained insolvent thereafter.¹ In light of the integrated nature of the Teleglobe group of companies collectively (the "Estate"), it is my opinion that Teleglobe, the ultimate parent of the U.S. Debtor Estate, is the relevant entity for assessing insolvency. In addition, however, I have examined individually the U.S. Debtors who have been named as plaintiffs in this matter and find them to have also been insolvent no later than December 31, 2000 and to have remained insolvent thereafter (with the exception of Optel Telecommunications Inc., Teleglobe Marine (U.S.) Inc., Teleglobe Luxembourg LLC, and Teleglobe Submarine Inc.).

To reach this conclusion, I have performed several accepted solvency tests, including a cash flow test and a balance sheet test during the relevant periods. Though it need only be found in either the cash flow or the balance sheet test, insolvency is evident in each test. The cash flow test demonstrates that after December 31, 2000, Teleglobe would not have been able to pay its debts as they became due even with the June 2000 BCE \$1 billion commitment. Similarly, the balance sheet test demonstrates that Teleglobe had

¹ Letter from William D. Anderson of BCE to BMO Nesbitt Burns (Bank of Montreal), June 29, 2000 (GEN 037880-81).
Proprietary and Confidential



negative equity value, meaning the fair market value of the business was less than the value of its debt.

The following facts provide additional support for my solvency opinion, all of which are explained in more detail in the text of this report.

- Contemporaneous valuations of Teleglobe that result in positive equity value are of limited utility, because they assume that BCE (or others) would fund the financing gaps in the Teleglobe business plan, including the GlobeSystem capital expenditures. Neither BCE nor anyone else funded the plan.
- As acknowledged at the time, it was improbable that Teleglobe would have been able to obtain significant funding from sources other than BCE during the relevant period.
- Accounting tests were manipulated by BCE to avoid recognizing significant impairment of goodwill on the financial statements of Teleglobe and BCE.

B. Discontinuing additional investment in GlobeSystem and other capital projects at June 30, 2001, after insolvency, would have preserved value in Teleglobe.

As discussed, Teleglobe was insolvent no later than December 31, 2000. However, I have calculated damages as of June 30, 2001, because it was at that time that Teleglobe's bank facilities were renegotiated. Had BCE not provided assurances to the banks, Teleglobe's bank debt would have been due on July 23, 2001.² Additionally, use of this date is conservative in that it would have provided time to respond to the insolvency, consider alternatives, and develop a plan to address the situation.

Continuing investment in GlobeSystem after June 30, 2001 preserved economic opportunities for BCE at the expense of the other stakeholders of Teleglobe. I have been asked to assume, for purposes of this analysis, that Teleglobe's capital expenditures related to the build-out of the GlobeSystem network would have ceased at June 30, 2001 while the legacy voice and associated data business of Teleglobe would have continued. At June 30, 2001, had this occurred, Teleglobe would have been worth

² 2001 Teleglobe Inc Financial Information - U.S. GAAP, p. 22
Proprietary and Confidential



\$1.130 billion. In addition, at least \$135 million of value could have been obtained from liquidating the existing GlobeSystem assets. Thus, in my opinion, had BCE acted to address Teleglobe's insolvency at June 30, 2001, Teleglobe would have recovered approximately \$1.265 billion as compared to \$207.6 million actually recovered (see Section VIII.1 for recoveries by the Estate). Thus I computed damages of \$1.057 billion.

C. Alternatively, had BCE made the \$850 million of additional funding available to Teleglobe, as authorized by its board and accepted by the board of Teleglobe on November 28, 2001, value in Teleglobe would have been preserved.

On November 28, 2001, the BCE board authorized up to \$850 million in funding and the Teleglobe board authorized acceptance of up to \$850 million of funding.³ The mechanism, form and timing of the provision of this funding was delegated to Jean Monty, the Chairman and Chief Executive Officer of BCE, and Jean Monty, the Chairman and Chief Executive Officer of Teleglobe, at his sole discretion. However, of this amount, only \$222 million of funding was provided to Teleglobe.⁴ As a consequence of BCE's failure to provide support using the \$850 million that was authorized for Teleglobe, BCE destroyed value for Teleglobe.

Had the balance of the \$850 million in funding been available, a restructuring would have been feasible and in the economic interest of Teleglobe's stakeholders. The parameters of that restructuring are set forth in the expert report of Carlyn Taylor of FTI Consulting ("FTI"), upon which I have relied. I have measured the value that would have been preserved under an April 2002 voice only restructuring scenario provided by FTI, at \$723.4 million for damages of \$515.8 million. Using an alternative-restructuring scenario from May 2002, which was provided by FTI and represented a capital constrained voice and data scenario, I have measured the value that would have been preserved to be \$414.0 million. This, however, does not fully capture the value of an optimized voice and data business because it disregards the option value that \$628 million of supplemental funding would have created.

³ Minutes of the meetings of the Board of Directors of BCE Inc., Volume 5, p. 532, Montreal, November 28, 2001; Minutes of the meetings of the Board of Directors of Teleglobe Inc., Volume 3, p. 59, Montreal, November 28, 2001.

⁴ See Table 6 2000 through 2002 Teleglobe Inc. annual and quarterly financial statements; BCE-AD 0439677.



II. Introduction

I have been asked to perform the following analyses:

- Assess the solvency of the plaintiffs as of certain dates between June 30, 2000 and April 23, 2002
- Quantify the financial damage to the plaintiffs resulting from BCE's actions

I have prepared this report to set forth the opinions I may express at the trial of this matter and reserve the right to supplement this report based upon information that may become available subsequent to the date of this report. For purposes of providing testimony at trial, I intend to illustrate my testimony with demonstrative aids such as graphs, charts and/or slides.

My opinions are based upon an independent examination of the evidence provided by the parties in this case and my knowledge and professional experience. I express all opinions to a reasonable degree of professional certainty. The evidence I have reviewed in connection with the preparation of this report is set forth in Appendix II. Dollar amounts are U.S. dollars unless otherwise noted. Additionally, unless otherwise noted, Canadian amounts are also presented in U.S. dollars, using the daily historical exchange rate.

III. Qualifications

I am and have been a Managing Director in the Financial and Economic Consulting practice of Huron Consulting Group LLC ("Huron") since its founding in May 2002. Before joining Huron, I was a partner at Arthur Andersen from 1989 on and an employee from 1977. I have performed a variety of financial, economic, and statistical analyses on behalf of clients in disputes including damages assessment, solvency, valuation, market analysis, and accounting and auditing principles. My industry expertise includes securities and telecommunications. I have testified as an expert witness at deposition, arbitration, and trial in both state and federal courts.



I received a Bachelor of Arts from Harvard College. I received a Master of Science in Industrial Administration with a concentration in Accounting from Carnegie Mellon University. I am a licensed Certified Public Accountant in Illinois.

A complete description of my background and qualifications is set forth in my curriculum vitae, which is attached as Appendix III. Testimony I have provided in other matters in the preceding four years and a listing of the publications I have authored within the preceding ten years are also included in Appendix III.

IV. Compensation

Huron is being paid at hourly rates for the level of personnel involved in the assignment. Neither Huron's fees nor my compensation is contingent on the conclusions reached or ultimate resolution of the case. Attached, as Appendix IV, is a list of the hourly rates that my staff and I are charging for our work in this matter, including deposition and trial testimony. As my assignment is not complete due to the potential supplementation of this report and testimony at trial, it is not possible to determine at this time the total compensation paid to my firm for this engagement.

V. Background

A. Industry

Until the 1990's, the international telecommunications industry consisted primarily of government owned monopolies providing voice service to other carriers. As recently as 1995, voice telephone service consumed nearly all international circuit (the connection over which a telephone call travels) capacity.⁵ Beginning with obligations negotiated under the auspices of the World Trade Organization (WTO) regarding trade in telecommunication services, there was tremendous liberalization of markets for international services.⁶ In July 1995, only 367 companies worldwide were authorized to operate international telephone networks compared to 2,805 in July 2000.⁷ In Canada,

⁵ Federal Communications Commission, Trends in the International Telecommunications Industry, September 2005, p. 10

⁶ WTO press release, "Ruggiero Congratulates Governments on Landmark Telecommunications Agreement," February 17, 1997.

⁷ TeleGeography 2001 Analysis. The Growth of International Services Competition. In 1996, 1997, 1998, and 1999, there were 470, 586, 1042, and 1760 authorized international carriers, respectively.

Proprietary and Confidential